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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF BUREAU

Re: CC Docket No. 96-149

Dear Mr. Caton:

Today, August 13, 1996, the enclosed letter from Dan Hubbard, Senior Vice President-FCC of SBC Communications Inc. to Chairman Hundt, Commissioner Quello, Commissioner Ness and Commissioner Chong regarding the above-referenced docket was delivered.

Pursuant to Section 1.1206 of the Commission's rules, an original and one copy of the letter are being filed with your office. If there are any questions regarding this matter, please contact me at (202) 326-8890.

Sincerely,

MW Smith

Enclosure

cc: Chairman Reed E. Hundt
Commissioner James H. Quello
Commissioner Susan P. Ness
Commissioner Rachelle B. Chong

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D.T. Hubbard
Senior Vice President

SBC Telecommunications, Inc.
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August 13, 1996

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Room 814
Washington, DC 20554

Re: CC Docket No. 96-149

Dear Chairman Hundt:

I was greatly dismayed to see you quoted recently by the Bloomberg Forum as stating that Bell company entry into in-region long distance markets will "depend an awful lot on whether there are objectively fair interconnection arrangements between AT&T and the local Bell, between MCI and the local Bell, Sprint and the local Bell, WorldCom and the local Bell -- in other words, the big long distance companies." Similarly, in a speech to state regulators on July 8, you said that the "the Big Three" interexchange carriers "should have objectively fair interconnection arrangements" before RBOCs are allowed to enter into in-region long distance markets. This is, you said, "reciprocity of competition." These comments are particularly disturbing because they indicate a possible bias against your finding Bell company entry into the in-region interexchange market to be consistent with the public interest unless there is an interconnection agreement with one of the largest interexchange carriers.

I do not understand how you could possibly read Section 271 to contain any requirement that the RBOCs enter into an interconnection agreement with AT&T or MCI or any other particular carrier before they are eligible for in-region relief. Section 271 (c)(1)(A) speaks of interconnection agreements with "one or more unaffiliated competing providers of telephone exchange service." Those unaffiliated providers need not even be interexchange carriers, much less one of the Big Three long distance companies. Interconnection agreements with the likes of MFS, Teleport, and Time Warner all qualify under the statute. As long as an RBOC agreement with such a carrier (or general statement of terms and conditions) satisfies the terms of the competitive checklist, that RBOC is entitled to in-region interexchange relief. Indeed, the Commission is expressly forbidden by Section 271(d)(4) to "extend the terms used in the competitive checklist," and restricting the universe of relevant agreements to those with a particular group of players would constitute just such a forbidden extension of the checklist requirements.

The Honorable Reed E. Hundt
August 13, 1996
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Moreover, the legislative history makes it abundantly clear that Congress expected a variety of new local exchange competitors would emerge from passage of the '96 Act. In fact, in discussing the Section 271(c)(1)(A) requirement that there be a facilities-based competitor, Congress observed that since cable services are available to more than 95% of U.S. households, cable companies "hold the promise of providing the sort of local residential competition that has consistently been contemplated." Conference Report at 148.

Even aside from being indefensible as a statutory interpretation, the fact that you have articulated this position will merely make negotiations with AT&T and MCI even more difficult than they have been. There is a good reason why we have readily reached "objectively fair interconnections arrangements" with carriers other than the largest IXCs. These other carriers do not share the IXCs' strong incentive to block our entry into long distance markets, so as to protect their supracompetitive profit margins. We have worked hard to reach interconnection agreements with AT&T, but our experience indicates that AT&T has a much greater interest in keeping us out of the long-distance business than in entering into interconnection agreements that would allow them to provide local exchange service.

AT&T's strategy, as reported in the Wall Street Journal on June 12, was unabashedly stated by its Chairman, Bob Allen who said that "it could be well into the next century before any of [the Bells] serve their first long-distance customer in their own territory." On this issue, Mr. Allen further said: "We didn't send our lawyers on vacation...We are already bird-dogging the FCC and the state regulatory commission." Unfortunately, judging by your statements, this bird-dogging appears to be having some effect.

If you want to have a positive effect on the negotiations and end this gamesmanship by the largest IXCs, your best course would be a clear acknowledgment that an interconnection agreement with any competing provider of telephone exchange service can satisfy the statutory requirement, notwithstanding a decision by the IXCs to sit on the sidelines and heckle, rather than to compete on the level playing field Congress has provided.

Sincerely yours,

A handwritten signature in black ink that reads "D.T. Hubbard". The signature is written in a cursive, flowing style.

cc: Commissioner James H. Quello
Commissioner Susan Ness
Commissioner Rachelle B. Chong